



CalHFA CONVENTIONAL LOAN

I. PROGRAM SUMMARY

PROGRAM DESCRIPTION	<p>The CalHFA CONVENTIONAL loan program provides enhanced affordability and homeownership opportunities in the form of below market interest rate loans and subordinate financing options for first-time homebuyers. These loans are subject to income and sales price limits which may vary depending on the location and property type (resale and new construction). The program consists of two loans:</p> <ol style="list-style-type: none">1) Up to a 97% LTV CalHFA below-market 30-year fixed-rate first loan, and2) The following subordinate financing options:<ol style="list-style-type: none">a) A 3% CalHFA down payment assistance loan under the California Housing Assistance Program (CHAP) http://www.calhfa.ca.gov/homeownership/programs/chap.htmb) A CalHFA deferred-interest second loan under the High Cost Area Home Purchase Assistance Program (HiCAP), up to \$25,000 http://www.cahfa.ca.gov/homeownership/programs/hicap.htmc) A forgivable interest CalHFA second loan under the Extra Credit Teacher Program (for qualified teachers, administrators and eligible staff members in low-performing schools), up to \$7,500 http://www.calhfa.ca.gov/homeownership/programs/ectp.htmd) Other CalHFA-approved nonprofit or government agency subordinate financing, such as those offered under the Affordable Housing Partnership Program http://www.calhfa.ca.gov/homeownership/programs/ahpp.htme) A 3% CalHFA down payment assistance loan under the California Homebuyer's Downpayment Assistance Program (CHDAP). http://www.calhfa.ca.gov/homeownership/programs/chdap.htm
TARGET MARKETS	<p>This program is intended for low/moderate income first-time homebuyers throughout California who meet CalHFA's guidelines. Refer to CalHFA Program Manual for guidelines regarding property location, income and sales price limits.</p>
PARTICIPATING LENDERS	<p><u>Delegated:</u> N/A <u>Non-Delegated:</u> All approved CalHFA lenders www.calhfa.ca.gov/homeownership/approvedlenders/index.htm</p>
BORROWER ELIGIBILITY	<p>Borrowers must meet the following requirements:</p> <ul style="list-style-type: none">• Be a U.S. citizen or permanent resident alien or qualified alien• Be a first-time homebuyer

	<ul style="list-style-type: none"> • Occupy the property as their primary residence; non-occupant co-borrowers are not allowed • Meet CalHFA-defined income limits • Meet credit, income and loan requirements of the CalHFA lender and the mortgage insurer
PROPERTY ELIGIBILITY	<p>Properties must meet all of the following requirements:</p> <ul style="list-style-type: none"> • Within CalHFA-defined sales price limits • Be a single-family, one-unit residence, including approved condo/PUDs • Manufactured housing is allowed if permanently attached, fee simple title
DOWN PAYMENT REQUIREMENTS	0%
BORROWER MINIMUM CONTRIBUTION	None required.
TRANSACTION TYPE	Purchase transactions only.
MAXIMUM SALES PRICE	Sales prices limits are published each year according to county. Refer to the web site at www.calhfa.ca.gov for current county limits.
MAXIMUM LOAN AMOUNT	CalHFA does not set loan limits, rather limits are based upon sales price and income according to the county in which the property is located
INCOME LIMITS	Income limits are published each year according to county. Refer to the web site at www.calhfa.ca.gov for current county limits.
MORTGAGE INSURANCE	<p>The Zero Upfront Monthly Mortgage Insurance (ZUMMI) is provided by CalHFA Mortgage Insurance and is required on the first loan as follows:</p> <p><u>95.01% — 97% First Loan LTV:</u> Coverage: 50% Cost: 99 bps Due: Monthly</p> <p><u>90.01% — 95% First Loan LTV:</u> Coverage: 50% Cost: 69 bps Due: Monthly</p> <p><u>80.01% — 90% First Loan LTV:</u> Coverage: 50% Cost: 59 bps Due: Monthly</p> <p><u>80% LTV or less First Loan LTV:</u> Coverage: 50% Cost: No cost to borrower; insurance provided by CalHFA</p>

	<p>The following annual payment option will discontinue for loans registered with CalHFA after December 31, 2003. Annual premiums require 12 months premium due at closing.</p> <p><u>97% LTV w/ 3% Second Loan:</u> Coverage: 50% Cost: 90 bps Due: Annually</p> <p><u>95.01 – 97% LTV w/ No Second Loan:</u> Coverage: 50% Cost: 80 bps Due: Annually</p> <p><u>80.01 – 95% LTV:</u> Coverage: 50% Cost: 55 bps Due: Annually</p> <p>(The CalHFA second loan is not insured.)</p>
SELLER CONTRIBUTIONS	<p>Seller contributions are acceptable for non-recurring closing costs only, as follows:</p> <ul style="list-style-type: none"> • 90.01% LTV or higher: 3% • 90% LTV or lower: 6%
BUYDOWNS	<p>Permanent buydowns are not allowed; temporary buydowns are allowed. Note rate, not start rate, is used for qualifying.</p>
REPAYMENT OF CALHFA SECOND LOAN	<p>Payment of principal and interest on the CalHFA second loan is due and payable when:</p> <ul style="list-style-type: none"> • The first Note and Deed of Trust become due and payable; • The first Note and Deed of Trust loan is paid in full; • The first Note and Deed of Trust is refinanced; • The property is sold, OR • Until and in the event of the formal filing and recording of a notice of default, unless rescinded • If the property is no longer occupied as a principal residence by the borrower <p>Upon the occurrence of any of the above, the entire principal and interest on the loan is due and payable. Prepayment penalties are not permitted.</p> <p>CalHFA second loans are not assumable.</p>

II. UNDERWRITING CRITERIA

MINIMUM FICO SCORE	While the CalHFA Program is not evaluated strictly on a credit score basis, a score of 620 or above is a good guideline. Credit will be reviewed on a case-by-case basis where the credit score is lower than 620, or if there are unusable FICO scores due to lack of trade lines. Credit explanations should accompany submissions, and extenuating circumstances will be considered on an exception basis.
RATIOS	Generally, an overall ratio of 45% is acceptable when supported by sufficient income and credit history. Ratios in excess of 45% will be considered on an exception basis depending upon the overall strength of the application for mortgage insurance.
CASH RESERVES	Borrower is required to have two months cash reserves to cover PITI.
SUBORDINATE FINANCING SILENT SECOND LOAN	Since loan repayment is deferred, the repayment is not included in the qualifying ratios. The CalHFA second loan must be in second position.
INCOME REQUIREMENTS	Limits apply, refer to CalHFA Program Manual.

IMPORTANT DISCLOSURE INFORMATION

The information provided in this program description is for guidance only. While we have taken care to provide accurate information, we cannot cover every circumstance nor program nuance. Lenders will need to refer to investor guidelines for specific underwriting and compliance issues. Lenders should be aware that Mortgage Insurance Services' underwriting guidelines are for mortgage insurance only, and not necessarily the same as restrictions imposed by the investor. The more restrictive guidelines apply. This program description is subject to change from time to time without prior notice.

11/03